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AUTHOR Tirozzi, G.; Jones, T.
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ABSTRACT

A recent court case, Sheff vs. O'Neill has centered Connecticut's attention on the fact that its public schools are largely segregated by race/ethnicity (80% of the state's minority student population are clustered in 18 of 166 school districts while 140 others are more than 90% white). This paper discusses financing the cost of higher standards for student achievement, with a focus on assessing student progress, implementing accountability models for schools and local education agencies, developing comprehensive preschool programs, reducing central bureaucratic controls, and shifting from categorical funding to block grant funding. A review of school finance history in Connecticut shows how the fragmentation of local governments led to concentrations of wealth and poverty within towns, and to substantial economic differences among them. Future directions for school finance are briefly examined with regard to school desegregation, early childhood education, and social services. (LMI)

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Current School Funding Policy Issues in Connecticut

SECTION 1: MAJOR POLICY ISSUES RELATING TO SCHOOL FINANCE

1. Financing School Desegregation

2. Financing the Costs of Setting Higher Educational Expectations for Pupil Achievement With an Emphasis On

++ Assessing student progress

++ Implementing accountablitiy models for schools and LEAs

++ Developing and Implementing comprehensive pre-school programs

++ Reducing central bureaucratic controls

++ Shifting the state school funding formula approach from categorical to block grant

SECTION TWO: CURRENT SCHOOL FINANCE POLICY ISSUES

A recent court case *Sheff v. O'Neill* has centered Connecticut's attention on the fact that its public schools are largely segregated by race/ethnicity. Eighty percent of the state's minority student population are clusteres in eighteen of 166 school districts while 140 others are more than 90% white.

The problem is inherently bound up with problems of segregation of economic classes. For example, within the greater Hartford area, Hartford

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city schools are 93% "minority." Median family income is about 60% of the state average. The adjoining towns of Glastonbury and Wethersfield are less than 10% minority and have median income levels well above the state average.

Plaintiffs in *Sheff* claim that segregation is inherently unequal, using standards of the Connecticut state constitution. Because of de facto racial and economic isolation the state has failed to provide an equal educational opportunity. City schools are not even minimally adequate.

The State, as defendant, claims that there is no intent to segregate the schools. They claim that housing patterns and demographic changes, not schools, are the root cause of segregation. The state cites considerable successes in raising its share of school expenditures, moving from 29% to 44% during the 1980's.

Governor Lowell Weicker in his state of the state address in January 1993 issued a significant and courageous challenge to the Connecticut General Assembly. The challenge addressed the need to correct the problems of racial and social isolation in the public schools. In response the legislature passed P.A. 93-263 that *requires* local governments to participate in regional planning. Eleven regional districts were established to 1) improve the quality of school performance and student outcomes, 2) reduce barriers to opportunity, 3) enhance student diversity and awareness of diversity, and address the programmatic needs of limited English proficient students.

With the "cloud" of the Sheff vs. O'Neill Case on the horizon and the mandate of P.A. 93-263, Connecticut citizens are actively involved in developing regional, cooperative, voluntary plans to address the claims inherent in the court case and the expectations of the legislation. Among

the programs being considered are magnet schools, building new schools on district boundaries, charter schools, allowing participation of schools in publicly funded "choice" programs, adjusting the school finance formula to reward districts which increase their minority enrollments, and penalize those which do not.

All of these programs and initiatives--and others that will likely surface--have major fiscal implications for the state in redirecting existing funding, and providing added funding.

++ Assessing student progress

Interpretation of criterion referenced test scores has posed problems for policy-makers and the public. If the criteria are set high, many children fail and the state appears to be doing poorly. If the criteria are set low, most students pass the test. But there are claims that the test is unrealistically easy. Though Connecticut ranks fairly well in some national tests, the recent report of *The Commission on Educational Excellence for Connecticut* admonishes that the state should not be complacent. The report refers to the term "world-class standards" to signify deeper knowledge of subject matter content. Both public and foundation sponsored efforts are underway to develop these higher standards. A major benchmark for these efforts is the content that students in other advanced countries are expected to master.

Fiscally, this reform would seem to have implications for educational R&D. Standards will be developed cooperatively by broad-based groups involving educators, parents, business leaders, and other citizens.

++ Implementing accountability models for schools and LEAs

Once higher standards are set, the next step is implementation. In that connection the most "disturbing gap" is the disparity in performance between majority and minority group students. For example, in urban areas only 21% of eighth grade math teachers said they emphasize algebra. Urban and rural students score well below the state's affluent districts and the state average.

The main tool for implementation of higher standards is pupil evaluation. The state's current battery of mastery tests will be "supplemented" to reflect higher levels of content knowledge and skill. New testing will also reflect multi-cultural perspectives. To assure all pupils leave school with employment possibilities, they will be encouraged to pursue a new "Connecticut Career Certificate" oriented to both academic and work place skills

The assessment data discussed above will be designed to be useful at several levels, pupils and their parents, individual teachers, schools, school systems, and the state. These data are available annually through the "Strategic School Profiles," a new and expanded set of school indicators.

Estimated costs of developing and implementing new curriculum frameworks and new student assessment strategies are to be about $10 million per year. Additionally, a new $15 million grant is proposed for districts successful in maintaining and improving school achievement. This amount is expected to grow in future years "...as student achievement improves."

The authors note that testing and curriculum development, by themselves, are quite inexpensive methods of trying to implement higher standards. Also, a second note: It is hard to write a formula for pupil achievement that does not benefit wealthier districts. Simulated "bonuses" for the

mastery achievement test indicate that Hartford city schools would receive an additional $258 thousand; the much smaller West Hartford suburban school system would receive an added $339 thousand in FY 1995-96. While these amounts are not very significant currently, recommendations are that this categorical aid program grow in future years.

In fairness to this proposal, it is the case that Hartford and other city schools have a greater possibility of reaping the benefit of grant increases if their scores improve. Funds for remediation are already included in the school finance formula: however, some funding for this purpose is reflected in the new consolidated block grant discussed below.

++ Developing and Implementing comprehensive pre-school programs

A significant number of children from disadvantaged backgrounds come to school not ready to learn. Comprehensive programs should be available for all children aged three to five, including pre-school for three and four year olds and extended day kindergarten for those who would benefit. Family literacy and parent education programs would be incorporated, as would child-care, health and social services operated in coordination with local schools.

Districts may create and operate their own programs or purchase places for children in local programs that are non-sectarian. In either event they will be required to cooperate with the Department of Social Services to create "wrap-around" care in both schools and elsewhere. State approved program standards would have to be followed. This will necessitate a commitment to collaboration among state level agencies to commingle funding.

This is potentially by far the most costly of the state proposals. An initial appropriation of $20 to $25 million dollars is recommended for a first year pilot program. Serious funding will await a pick-up in the State's economy or a shift in the public mood to favor more government spending. Initiatives in this area will move the school debates over finance and equal educational opportunity to a new arena, the pre-school years.

++ Reducing central bureaucratic controls

A list of possibilities is endorsed by the recently issued *Excellence Commission Report* in an effort to produce greater efficiency in schooling:
--providing greater "public school enrollment options" (magnet schools or open enrollment)
--establishing school level councils representing professionals and the public
--greater budgetary, curricular, and personnel discretion at the school site
--possibly implementing the concept of "receivership": the state would assume direct control of those districts and/or schools that consistently do poorly on achievement tests.

Though not specifically proposed in the Excellence Commission Report, two other movements should be noted under the rubric of efficiency. There are small but active groups in Connecticut proposing school choice, including choice of religious and private schools. Legislative hearings on the matter were held in late 1993. One of the leading Democrats in the General Assembly, a candidate for governor, has expressed sympathetic views to implement this initiative.

In addition, legislation for charter schools is likely to be proposed in the General Assembly again this year. Charter schools would be established by

a group of educators who would be free of most state regulations and union rules.

The schools would be accountable for student achievement. They would operate like public schools, except that they would not be tied to any school district. They would take some level of direction directly from the State Education Department. Like private schools, they could enroll children from any school district and receive the same per pupil expenditure as the sending district. Unlike private schools charter schools would be free of charge. They would have to compete for students with other schooling providers. Unsuccessful ones would go out of business.

These sorts of recommendations have questionable economic cost implications. This fact accounts for part of their appeal. On the other side the political costs are very heavy, implying inaction at present. It is important to note that the present governor is not seeking re-election and the Commissioner of Education will be leaving this summer.

It is most unlikely that much of this agenda will be enacted in 1994, a gubernatorial election year. These sorts of reforms will depend greatly upon the November results.

++ Shifting the state school funding formula approach from categorical to block grant

General aid, Special Education, Transportation, and several smaller programs--each of which is now a separate categorical--would be consolidated into a single block called ECS II. (Connecticut's present general aid package is called "Educational Cost Sharing".) The local "ability to pay" and "student need" factors would be revised to target slightly more money to urban and needy poor rural districts and away from the wealthiest

suburban districts. Costs of implementing ECSII are estimated to be about $75 million.

The "Minimum Expenditure Requirement," an amount that rises annually to adjust for inflation--would be retained and expanded to reflect changes in the ECS structure. Provisions to relieve overburdened property taxpayers in high tax communities are proposed. School districts performing at the excellent level on the achievement tests would be exempted from any minimum requirement.

Total recommended aid increases deriving from the *Excellence Commission Report* would amount to roughly $90 million in 1995-96, a 7% increase over the state's school aid budget of $1.273 billion as initially projected. Seven percent is a very modest recommendation considered in the context of recent school finance study commissions. But it exceeds substantially the 5% increases in the state's budget in recent years. Given the state's flagging economy and the new spending cap in Connecticut's constitution, a 7% increase will not be easy to achieve.

SECTION THREE: SCHOOL FINANCE HISTORY

Connecticut's school districts are fiscally dependent. Their boundaries are coterminous with the State's general units of local government called "towns." Colonial in their origins, Connecticut towns are small by national standards, both geographically and in terms of enrollment. In the contemporary time period travel among the state's 169 towns has become fast and easy. No town in Connecticut is more than a two hour drive from any other town. These facts condition the environment in which Connecticut educational and social policy is made.

As a small and highly urbanized state, Connecticut is, in many ways, a single large metropolis with many local governments. Governmental fragmentation may have contributed to the substantial concentrations of wealth (and poverty) *within* towns, and substantial economic differences *among* them.

This situation is by no means unfamiliar to school finance specialists. A subtle difference in Connecticut is the small size of its jurisdictions, Connecticut had no annexation movements; its cities simply never grew in size beyond their Eighteenth Century boundaries. As a result a state known for its wealth nevertheless has some of the poorest and most troubled cities in the Nation. National attention recently given to the City of Bridgeport's "bankruptcy" is only one case in point. Hartford ranks fourth and New Haven ranks seventh on one national poverty index. This does not imply, however, that all Connecticut cities are necessarily property poor. (Some still have substantial amounts of commercial property.) Nor does it imply that all social problems are in the state's five largest cities. There is a distinctly urban character to some of its smaller cities and inner suburbs. Such areas would be part of their core cities in other parts of the United States.

Until the mid 1970's Connecticut relied exclusively on a Flat Grant funding formula. During the last two decades the State has gradually moved to equalizing formulas, all but eliminating the Flat Grant. Economically, the state relies heavily on the national defense and financial service industries. This fact, plus the quality of leadership, meant that the decade of the 1980s was very kind to primary-secondary education finance. Substantial increases in school funding occurred under the names Guaranteed Tax Base, Educational Enhancement Act, and Cost Sharing. Teachers' salaries moved from sixteenth to first in the nation. Connecticut also has one of the nation's highest per pupil expenditure levels and lowest pupil-teacher

ratios. Far from being financial reforms only, these Acts (especially Enhancement and Cost Sharing) led to a restructured teaching profession with competency based testing and new requirements for in-service education. In the 80's the state's share of total public school spending rose from 32 to 45%, with most of the new money concentrated in the state's poorest districts.

The present decade has not been so kind. The recession, the end of the Cold War, and lay-offs in the financial services industry have meant slow growth at best. (Some of the state's economic indicators show declines.) A broad-based personal income tax--the first ever for Connecticut--was implemented in 1992. But it paid for past growth. Since the income tax, the state's share of total school spending has receded to about 40%.

SECTION FOUR: FUTURE DIRECTIONS FOR SCHOOL FINANCE

"Help," if it can be so termed, may be on the way! The Connecticut Public Expenditure Council reports that total state spending will increase, "...7.7% this year compared to allowable growth of 5.8% for 'capped expenditures.'" If the budget cap is really the "paper tiger" that the Council says, perhaps the Excellence Commission's recommendations will seem unduly restrained.

A decision in *Sheff* is expected this spring. The decision will almost undoubtedly prompt further study. As of this writing the alternatives discussed have not been sufficiently specific, (or taken seriously enough) to generate formal cost estimates. But there is a general agreement that effective implementation of school desegregation will be very costly. Since this issue was not addressed directly by the Excellence Commission, it is very much a fiscal wild-card. Of particular note is the reality that no

attempt has been made by policy-makers to view the issues of quality and diversity, and the report of the Commission in the same context.

The financial growth of the 1980's, and the new income tax required to pay for that growth, have had their impact on the policy mix. Some of the traditional school finance issues, such as fiscal equalization and innovation have been recast. The former is now a desegregation issue; the latter has become early childhood and social service issue. These are somewhat outside the scope of school finance narrowly conceived, but offer wide possibilities for future policy research and reform of school finance formulas.

Lastly, a report of this nature could not be complete without at least passing reference to the impact of the federal government on state school finance. In this connection the "ready to learn" issue from the *Goals 2000* report, discussed above in the Connecticut context, comes to mind. If the federal government ever decides a national education policy, the fiscal implications for each state could be very substantial indeed.